GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4656
ANSWERED ON:25.04.2008
INTEREST RATE ON LOANS TO FARMERS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to lower the rate of interest on loans to marginal and small farmers at the rate of 4% to save them from the clutches of private money lenders;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c); After deregulation of interest rates on loans, banks are free to determine the lending rate of interest taking into account, inter-alia, the cost of funds and the risk element involved. RBI has stipulated that interest rate on loans by Commercial Banks upto Rs,2.00 laklis should not exceed the Benchmark Prime Lending Rate (BPLR) and loans upto Rs.50,000/- should be collateral free.To reduce the burden of interest on Crop Loans availed by farmers for Kharif and Rabi 2005-06, an amount equal to two percentage points of the borrowers` liability on the principal amount upto Rs. 1,00,000/- was credited to their account. Thereafter, from Kharif 2006, to ensure that the farmer receives Short-Term Production Credit; at 7% with an upper limit of Rs. 3 Lakh on the principal amount, the Government is providing interest subvention of 2% per annum to Public Sector Banks, Regional Rural Banks and Cooperative Banks on their lending from their own resources. The Government is also providing interest subvention to National Bank for Agriculture and Rural Development for making; refinance: available at concessional rates to Cooperative bimks and Regional Rural Banks.As. of now, there is no scheme befote the Government to lower the rate of interest to 4% per annum.